

AMENDED IN ASSEMBLY APRIL 9, 2007

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

ASSEMBLY BILL

No. 588

Introduced by Assembly Member De Leon

February 21, 2007

An act to add Chapter 4 (commencing with Section 8350) to Division 4.1 of the Public Utilities Code, relating to credit history.

LEGISLATIVE COUNSEL'S DIGEST

AB 588, as amended, De Leon. Credit history: *public utilities*.

Existing state and federal law define and regulate credit reporting agencies, *as defined*. Existing law prohibits certain items of information from appearing in credit reports, including adverse information that antedates the report by more than 7 years.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities and authorizes the commission to establish rules for all public utilities, subject to control by the Legislature.

~~This bill would state the intent of the Legislature to examine issues related to alternative methods of building credit history require each interval-billing public utility, as defined, and interval-billing publicly owned utility, as defined, to allow subscribers to affirmatively choose to release the subscriber's utility service payment history to a financial institution, as defined, or consumer credit reporting agency specified by the subscriber. The bill would authorize the commission to establish rules to ensure compliance by public utilities with the bill's requirements. The bill would make the governing board of the publicly owned utility responsible for implementing the bill's requirements. By placing additional requirements upon publicly owned utilities, the bill would impose a state-mandated local program.~~

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~-yes.
State-mandated local program: ~~no~~-yes.

The people of the State of California do enact as follows:

1 *SECTION 1. The Legislature finds and declares all of the*
2 *following:*

3 *(a) Credit has taken on an increasingly significant role in our*
4 *economy, but many lack access to the credit system. A significant*
5 *barrier to obtaining credit for millions is the lack of files with a*
6 *major credit bureau, making it difficult to obtain credit due to the*
7 *absence of information to evaluate risk and thereby extend credit*
8 *or to establish a credit score. It is estimated that as many as 70*
9 *million Americans are believed to have “thin files” or no credit*
10 *history at all.*

11 *(b) Lacking a formal credit history can affect a consumers’*
12 *ability to receive competitive mortgage and nonmortgage credit.*
13 *Additionally, credit scores are used increasingly for other*
14 *purposes, such as approving and determining automobile and*
15 *home insurance loans and rates, hiring employees, and approving*
16 *rental applications.*

17 *(c) The negative consequences of a “thin file” or a lack of credit*
18 *history with a major credit bureau can mean the loss of loan*
19 *approval, access to a new job, apartment, or low-cost insurance.*

20 *(d) Consumers lacking an adequate credit history are*
21 *disproportionately among the poor and low-income populations,*
22 *and often include widows and new migrants.*

23 *(e) One study has reviewed the potential for mainstream lenders*
24 *to use “alternative” or “nontraditional” data, including payment*
25 *obligations and histories for rent, natural gas, electricity, and*
26 *insurance, to evaluate the risk profile of potential borrowers. The*
27 *findings of that study indicate that alternative data, if widely*
28 *incorporated into credit reporting, would bring millions into the*
29 *credit mainstream and would improve their chances of building*

assets. The study found that the use of alternative data in consumer and commercial credit reports would increase opportunities for consumers to benefit from less expensive access to capital to invest in businesses and homes, as well to improve the terms of their existing credit obligations and access, and to provide them with access to new products and services.

(f) Studies also show that those outside the credit mainstream have similar risk profiles as those in the mainstream when nontraditional data is included in credit assessments. The risk profile of those with “thin files” or no history, after energy utility and telecommunications data are included in their credit files, is similar to that of the general population. Findings also show that nontraditional data make extending credit easier. Including energy utility data in all consumer credit reports increases the acceptance rate by 10 percent, and including telecommunications data increases the acceptance rate by 9 percent.

(g) Including nontraditional data in credit risk assessments decreases credit risk and increases access to credit. Estimates show that the inclusion of alternative data in credit risk assessments increases the number of persons with scoreable assessments by 10 percent. Sizable segments of the population would see their credit scores improve if alternative data is included in credit risk assessments, specifically 22.4 percent improve if energy utility data is included and 11 percent improve if telecommunications data is included. Two-thirds of unscorable “thin-file” consumers become scoreable when alternative data is included in their credit files.

(h) It is the intent of the Legislature to enable consumers to authorize the inclusion of alternative data, specifically data on their payment obligations and histories with respect to public utilities and publicly owned utilities that bill customers on a regular interval basis, to be included in the consumer’s credit files.

SEC. 2. Chapter 4 (commencing with Section 8350) is added to Division 4.1 of the Public Utilities Code, to read:

CHAPTER 4. CONSUMER CONTROL OVER UTILITY PAYMENT
INFORMATION

8350. For purposes of this chapter, the following terms have the following meanings:

1 (a) “Consumer credit reporting agency” means any entity or
2 person who, for monetary fees, dues, or on a cooperative nonprofit
3 basis, regularly engages in whole or in part in the business of
4 assembling or evaluating consumer credit information or other
5 information on consumers for the purpose of furnishing consumer
6 credit reports to third parties, but does not include any
7 governmental agency whose records are maintained primarily for
8 traffic safety, law enforcement, or licensing purposes.

9 (b) “Financial institution” means a bank, trust company, savings
10 institution, thrift institution, or credit union, chartered and
11 supervised under state or federal law, any institution the business
12 of which is engaging in financial activities as described in Section
13 1843(k) of Title 12 of the United States Code, an industrial loan
14 company licensed and supervised under the laws of this state, an
15 insurance company, or person engaged in the business of lending
16 money.

17 (c) “Interval-billing public utility” means a public utility, as
18 defined in Section 216, that provides electric, gas, sewer, telephone,
19 or water service to retail end-use residential consumers, and that
20 bills subscribers for utility service on a monthly or other regular
21 periodic basis.

22 (d) “Interval-billing publicly owned utility” means any
23 governmental entity, including a municipal corporation, municipal
24 utility district, public utility district, irrigation district, and joint
25 powers authority, that provides electric, gas, sewer, telephone, or
26 water service to retail end-use residential consumers, and that
27 bills subscribers for utility service on a monthly or other regular
28 periodic basis.

29 8351. (a) Every interval-billing public utility and
30 interval-billing publicly owned utility shall allow subscribers to
31 affirmatively choose to release the subscriber’s utility service
32 payment history to a financial institution or consumer credit
33 reporting agency specified by the subscriber.

34 (b) A subscriber’s affirmative choice to provide information
35 pursuant to subdivision (a) does not waive any other legal rights
36 of the subscriber and any information provided to a financial
37 institution or consumer credit reporting agency pursuant to
38 subdivision (a) shall be subject to any privacy or consumer
39 protection laws otherwise applicable.

1 (c) A subscriber may revoke any authorization for the release
2 of the subscriber's utility service payment history to a financial
3 institution or consumer credit reporting agency pursuant to
4 subdivision (a), and the interval-billing public utility or
5 interval-billing publicly owned utility shall comply with the
6 subscribers revocation of the authorization with a reasonable
7 period of time, not to exceed 60 days.

8 8352. (a) The commission may establish rules for each public
9 utility that is subject to Section 8351, to ensure compliance with
10 the requirements of that section.

11 (b) The governing board of an interval-billing publicly owned
12 utility is responsible for implementing the requirements of Section
13 8351.

14 SEC. 3. No reimbursement is required by this act pursuant to
15 Section 6 of Article XIII B of the California Constitution because
16 a local agency or school district has the authority to levy service
17 charges, fees, or assessments sufficient to pay for the program or
18 level of service mandated by this act, within the meaning of Section
19 17556 of the Government Code.

20 SECTION 1. ~~It is the intent of the Legislature to examine issues~~
21 ~~related to alternative methods of building credit history.~~